ELIAS MOTSOALEDI LOCAL MUNICIPALITY

(Registration number LIM 472)

FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

Published 31 January 2014

General Information

Chief Whip	Cllr TM Phahlamohlaka
Mayor	Cllr WM Matemane
Councillors	Cllr R Alberts
	Cllr MZ Buta
	Cllr RSA Kabinie
	Cllr JP Kotze
	Cllr TJ Lepota
	Cllr MF Madihlaba
	Cllr MF Rakoena
	Cllr MM Maepa
	Cllr AB Mahlangu
	Cllr J Mahlangu
	Cllr MD Mahlangu
	Cllr NN Mahlangu
	Cllr TS Mahlangu
	Cllr KS Mahlase
	Cllr MW Ramphisa
	Cllr MN Malatji
	Cllr MS Malekane
	Cllr AM Maloba
	Cllr DS Mamaila
	Cllr MS Marapi
	Cllr MS Maselela
	Cllr EM Masemola
	Cllr HS Mashifane
	Cllr MS Mashilo
	Clr MP Mokone
	Cllr SM Mathale
	Cllr JL Mathebe
	Cllr MK Tshoshane
	Cllr GD Matjomane
	Cllr MS Matlala
	Cllr CD Matsepe
	Cllr TS Matsepe
	Cllr MP Matshipa
	Cllr ST Matsomane
	Cllr Sh Mehlape
	Cllr CT Mhlanga
	Cllr I Mkhaliphi
	Cllr TN Mmutle
	Cllr VV Moganedi
	Cllr FM Mogotji
	Cllr MJ Mohlala
	Cllr MP Mokgabudi
	Cllr MT Mokganyetji
	Cllr OE Motau
	Cllr MG Motlafe
	Cllr DM Mzinyane
	Cllr ME Nduli
	Cllr SF Nkosi

General Information

	Cllr TJ Ntuli Cllr ML Phala Cllr A Phatlane Cllr RJ Podile Cllr JJ Skosana Cllr SL Skosana Cllr SO Somo - Deceased 31 May 2013 Cllr MD Tladi Cllr LH Tshoma Cllr MS Tshoma
Grading of local authority	Meduim Capacity Municipality
Accounting Officer	Mrs MM Skosana
Chief Finance Officer (CFO)	Mr M Monageng (Appointed 1 February 2013) Mr R Palmer (Acting 1 July 2012 - 31 January 2013)
Business address	Civic Centre Groblersdal 0470
Postal address	PO Box 48 Groblersdal 0470
Bankers	ABSA Bank Limited
Auditors	Auditor General South Africa

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act no. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 30 of these annual financial statements are within the upper limits ofthe framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The financial statements set out on pages 6 to 84, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

Mrs MM Skosana
Municipal Manager

31 August 2013

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2013.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 ordinary and 6 special meetings were held.

Name of member	Number of meetings attended
ST Kholong (Chairperson)	10
T Gafane	10
FJ Mudau - Resigned 18 May 2013	7
R Nke	5
B Mohlamme - Resigned 30 October 2012	3

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The content and the quality of the yearly management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act have been verified by the audit committee.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

Evaluation of financial statements

The audit committee has:

- reviewed and discussed the unaudited financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The municipality has an internal audit division.

Auditor-General of South Africa

The audit committee has not met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: ______________________

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2013.

1. Review of activities

Main business and operations

Net deficit of the municipality was R 64 211 406 (2012: surplus R 154 242 700).

The municipality performed the debtor administration of water and sanitation services on an agency basis in term of a service level agreement. The current period of the water and sanitation services contract expires on 30 June 2013. The Greater Sekhukhune District Municipality has extended the current contract until 30 June 2014. This change is not expected to have a major effect on the financial position and performance of the municipality for the period under review or future financial periods.

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The municipality for the financial period under review started experiencing cashflow problems due to commitments on prior year capital projects not funded and under collection of consumer debtors. The accounting officer is satisfied that the situation was managed and did not impact on the going concern of the municipality and its continued operations.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial.

4. Accounting Officer's interest in contracts

The accounting officer did not declare any interest in contracts of the Municipality.

5. Accounting policies

The financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

Details of major changes in the nature of the non-current assets of the municipality during the year is set out in the notes to the financial statements.

7. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mrs MM Skosana	South African

8. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Councillors

The councillors:

- retains full control over the municipality, its plans and strategy;

Accounting Officer's Report

- aknowledges its responcibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising;
  - Mayor
  - Speaker
  - Executive councillors, and
  - Non - executive councillors.

Mayor and Municipal Manager

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The Council and mayor performs their oversight role and duties in terms of the prescribed legislation and delegated authorities.

Internal audit

The municipality had employed an internal auditor for the year under review on the 01 October 2012.

9. Bankers

The municipality banks primarily with ABSA Bank Limited.

10. Auditors

The Auditor General South Africa will continue in office for the next financial period.

Statement of Financial Position

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Inventories	12	1 909 188	1 867 647
Receivables from exchange transactions	13	17 279 668	17 554 405
VAT receivable	14&46	10 154 624	7 878 000
Consumer debtors - From Exchange Transactions	15	6 334 668	6 114 078
Consumer debtors - From Non Exchange Transactions	15	8 379 370	6 626 624
Cash and cash equivalents	16	15 334 288	7 475 792
		59 391 806	**47 516 546**
Non-Current Assets			
Biological assets - Game Animals	4	11 643	94 000
Investment property	5&46	80 617 000	147 867 000
Property Plant and Equipment	6	675 526 176	665 254 369
Heritage Assets	7	322 263	298 263
Intangible assets	8&46	22 674 253	22 674 253
Deposit (Security held in advance)	8&10&46	8 383 787	7 933 418
		787 535 122	**844 121 303**
Total Assets		**846 926 928**	**891 637 849**
Liabilities			
Current Liabilities			
Landfill Site Provision		31 145 563	-
Payables from exchange transactions	20	28 375 003	41 142 101
Consumer deposits	22	3 285 199	3 205 959
Retirement benefit obligation	9	913 464	-
Unspent conditional grants and receipts	18	786 035	783 503
Provision	19	230 108	-
		64 735 372	**45 131 563**
Non-Current Liabilities			
Retirement benefit obligation	9	24 003 769	24 001 186
Provision	19	1 919 210	1 590 456
		25 922 979	**25 591 642**
Total Liabilities		**90 658 351**	**70 723 205**
Net Assets		**756 268 577**	**820 914 644**
Net Assets			
Accumulated surplus		756 268 577	820 914 644

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Revenue from exchange transactions			
Service charges	25	54 468 633	50 459 587
Rental of facilities and equipment	23	770 610	811 248
Income from agency services	23	3 187 088	3 190 671
Licences and permits	23	5 248 726	5 370 418
Other income	27	3 552 209	2 870 632
Interest received	34	5 089 585	5 156 279
Gains on sale of assets	36	-	2 738 965
Total revenue from exchange transactions		**72 316 851**	**70 597 800**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	17 900 069	11 033 275
Transfer revenue			
Government grants & subsidies	26	168 079 000	146 306 000
Fines	27	791 600	1 031 214
Total revenue from non-exchange transactions		**186 770 669**	**158 370 489**
Total revenue	23	**259 087 520**	**228 968 289**
Expenditure			
Personnel	30	(73 615 928)	(60 520 065)
Remuneration of councillors	31	(14 701 116)	(14 405 494)
Administration	32	(540 706)	(1 032 617)
Depreciation and amortisation	35	(33 975 376)	(32 123 821)
Impairment loss/ Reversal of impairments		(10 276 900)	-
Finance costs	37	(113 093)	(286 676)
Debt impairment	33	(3 597 099)	(6 783 000)
Repairs and maintenance		(5 637 549)	(8 938 606)
Bulk purchases	41	(46 120 194)	(40 739 042)
Grants and subsidies paid	40	(2 608 593)	(2 551 645)
Loss on sale of biological assets	36	(598 341)	-
General Expenses	28	(38 786 802)	(36 334 715)
Total expenditure		**(230 571 697)**	**(203 715 681)**
Operating surplus	29	**28 515 823**	**25 252 608**
Additional service cost landfill transfer from Sekhukhune District Municipality		(26 783 202)	-
Fair value adjustments		1 105 973	(949 508)
Income from equity accounted investments		2 238 000	129 939 600
Loss on non-current assets held for sale or disposal groups		(69 288 000)	-
		(92 727 229)	**128 990 092**
(Deficit) surplus for the year		**(64 211 406)**	**154 242 700**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	684 119 222	684 119 222
Adjustments		
Correction of errors - (Note 45)	(17 725 359)	(17 725 359)
Prior year adjustments - (Note 45)	278 081	278 081
Balance at 01 July 2011 as restated	**666 671 944**	**666 671 944**
Changes in net assets		
Surplus for the year	154 242 700	154 242 700
Total changes	154 242 700	154 242 700
Opening balance as previously reported	683 972 442	683 972 442
Adjustments		
Correction of errors - (Note 45)	6 527 928	6 527 928
Prior year adjustment - Investment Properties - (Note 45)	129 939 600	129 939 600
Prior year adjustments - (Note 45)	40 013	40 013
Balance at 01 July 2012 as restated	**820 479 983**	**820 479 983**
Changes in net assets		
Surplus for the year	(64 211 406)	(64 211 406)
Total changes	(64 211 406)	(64 211 406)
Balance at 30 June 2013	**756 268 577**	**756 268 577**

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Fines		791 600	1 031 214
Sale of goods and services		75 546 718	64 337 335
Grants		168 079 000	146 306 000
Interest income		5 089 585	4 924 875
Other receipts		4 782 258	3 233 337
Licences and Permits		5 720 077	5 370 417
		260 009 238	225 203 178
Payments			
Employee costs		(88 331 510)	(74 842 644)
Suppliers		(113 341 012)	(72 568 548)
Finance costs		(113 093)	(286 676)
		(201 785 615)	(147 697 868)
Net cash flows from operating activities	42	**58 223 623**	**77 505 310**
Cash flows from investing activities			
Purchase of property plant and equipment	6	(51 029 802)	(105 843 578)
Proceeds from sale of property plant and equipment	6	-	3 905 971
Proceeds from sale of biological assets	4	9 071	-
Deposit (security held in advance)		(450 369)	(231 404)
Net cash flows from investing activities		**(51 471 100)**	**(102 169 011)**
Cash flows from financing activities			
Repayment of other financial liabilities		1 105 973	(3 713 831)
Net cash flows from financing activities		**1 105 973**	**(3 713 831)**
Net increase/(decrease) in cash and cash equivalents		**7 858 496**	**(28 377 532)**
Cash and cash equivalents at the beginning of the year		7 475 792	35 853 324
Cash and cash equivalents at the end of the year	16	**15 334 288**	**7 475 792**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Transfer of functions between entities not under common control

Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality’s objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality‘s objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

1.1 Transfer of functions between entities not under common control (continued)

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which municipality to the transaction or event is the transferor(s) and which municipality is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which municipality is the acquirer and which municipality is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Assets acquired [transferred] and liabilities assumed [relinquished]

The derecognition of assets and liabilities, is subject to the following conditions:

The assets transferred and the liabilities relinquished are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Determining what is part of the transfer of functions transaction

Where the municipality and the acquirer have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration received and the assets transferred and liabilities relinquished in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:
- the reasons for the transaction
- the timing of the transaction

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

On the transfer date, the municipality measured these assets and liabilities in accordance with applicable Standards of GRAP. The liability for payment by the aquirer was recognised as a debtor. The nett asset value is indicated in the financial statements after the assets were transferred in the current year on a donation basis

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in surplus or deficit.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio risk basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. .

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost / (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows.

Provision for landfill sites

The provision for rehabilitation site is recognised as and when the environmental liability arises. The provision is calculated by a quaified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the related asset are charged to the Statement of Financial Performance. .

Provision of rehabilitation of landfill site is determined by :

- Calcuating the cost of rehabilitation of landfill sites and assessing the usefil life of each land fill site as done by an Actuary/Specialist
- The effect of time value of money is calculated using interest rates (investment rate) inked to the prime rate.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be measurable when construction is complete. It measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or services potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Property Plant and Equipment

Property Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property Plant and Equipment is initially measured at cost.

The cost of an item of property plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property plant and equipment have different useful lives, they are accounted for as separate items (major components) of property plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property plant and equipment, the carrying amount of the replaced part is derecognised.

1.4 Property Plant and Equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant and equipment are accounted for as property plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

Property Plant and Equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite
Buildings	30 years
Plant and machinery	5 - 15 years
Furniture and fixtures	7 - 10 years
Motor vehicles	3 -20 years
Office equipment	3 - 5 years
IT equipment	3 - 6 years
Computer software	3 - 5 years
Infrastructure	5 - 30 years
Other property, plant and equipment	5 - 30 years
Other equipment	5- 25 years
Specialised vehicles	10 years
Tools and loose gear	5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

1.4 Property Plant and Equipment (continued)

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised on the straight line basis in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality’s operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset’s net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset’s remaining service potential.

Accounting Policies

1.5 Heritage assets (continued)

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.6 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Accounting Policies

1.6 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets , but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Accounting Policies

1.7 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

1.7 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Invetment Property	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost
VAT	Financial asset measured at amortised cost
Sundry debtors	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade Payables	Financial liability measured at amortised cost
Accruals	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Residual interest1	Measured at fair value
Residual interest2	Measured at cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

1.7 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.7 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

1.8 Leases (continued)

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

1.10 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

1.10 Impairment of cash-generating assets (continued)

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.10 Impairment of cash-generating assets (continued)

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

- Buildings (Public buildings)
- Infrastructure (Roads)
- Stormwater

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction / (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation / (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation / (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity’s own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or

1.12 Employee benefits (continued)

- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and no n-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there ia a legal or constructive obligation to make such payments as a result of past performance.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.12 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.12 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.13 Provisions and Contingent Liabilities

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.13 Provisions and Contingent Liabilities (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

1.14 Revenue from exchange transactions (continued)

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Transfers

Accounting Policies

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Revenue from issuing of fines is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably.

The municipality has two types of fines; spot fines and summonses.There is uncertainty regarding the probability of the flow of economic benefits or services potential in respect of spot fines as these fines are usually not given directly to an offender. Futher legal processes have to be undertaken before the spot fines is enforcable.
In respect of summonses the public prosecutor can decide whether to waive or to fine, reduce it or procecute for non-payment by offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts, collected. Where a reliable estimate cannot be made from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of proceduresto investigate the non-submission of a declaration by defaulting levy payers;
- Internal records maintained of historical comparisons of estimated levies with actual levies received from indivudual levy payers.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associatedwith the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised on receipt probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period., such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

Commitments

If the municipality enters into any significant contractual commitments that will result in the outflow of financial sources after the balance sheet date, it must be disclosed in the notes to the annual financial statements as a non-adjusting event.

Commitments include:

· Capital commitments (to acquire PPE and intangible assets)

· Lease commitments b

· Other financial commitments

The value of the planned outflow of financial resources shall be disclosed per category of commitments

Property rates - revenue

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Other grants and donations

Other grants and donations are recogninised as revenue when:

> it is probably that the economic benefits or service potential associated with the transaction will flow to the municipality;

> the amount of the revenue can be measured reliably; and

>to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediatetly. if conditions are attached, a liability is recognised, which is redused and revenue recognised as the conditions are satisfied.

>to the extent that there has been compliance with any restrictions associated with the grant.

1.16 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

1.20 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Accounting Policies

1.24 Presentation of currency

These annual financial statements are presented in South African Rand.

1.25 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.26 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the Statement of Financial Performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Financial Performance as they arise.

1.27 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Grants are included in Non exchange transactions revenue.

1.28 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The financial statements and the budget are not compiled on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the financial statements.

The Statement of comparative and actual information have been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The financial statements and the budget are not compiled on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the financial statements. Refer to note 56.

Comparative information is not required.

1.29 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Accounting Policies

1.29 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.30 Consumer Deposits

Consumer Deposits represents funds received by the municipality as security for payment of consumer accounts. The amount represent the actual cash received and can either be paid back or set off against an consumer account. The gross un-utilised deposit amount is indicated. No interest is paid to the consumers on the deposits held by the municipality.

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 24 - Budget information in terms of note 53

The aggregate effect of the changes in accounting policy will be included in note 47.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 103: Heritage Assets

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

Notes to the Financial Statements

3. New standards and interpretations (continued)

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:
- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

Notes to the Financial Statements

3. New standards and interpretations (continued)

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

Notes to the Financial Statements

3. New standards and interpretations (continued)

3.2 Standards and Interpretations early adopted

The municipality has not chosen to adopt any standards and interpretations early.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has early adopted the amendment for the first time in the 2013 financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Changes in Accounting Policies.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has early adopted the amendment for the first time in the 2013 financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 financial statements.

The impact of the amendment is not material.

Notes to the Financial Statements

3. New standards and interpretations (continued)

GRAP 13 (as revised 2012): Leases

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements.

3.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

3. **New standards and interpretations (continued)**

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;

Notes to the Financial Statements

3. New standards and interpretations (continued)

- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

3.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods but are not relevant to its operations:

IPSAS 20: Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)

Notes to the Financial Statements

3. New standards and interpretations (continued)

Paragraphs .07, .08, .19, .22, .23, .37, .38, .40, .45 and .46 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Recognition and measurement and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:
- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

The impact of this amendment is currently being assessed.

IGRAP16: Intangible assets website costs

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annul reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity’s own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity’s information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website’s development can be described as follows:
- Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.
- Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.
- Graphical design development – includes designing the appearance of web pages.
- Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website’s development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity’s own website for internal or external access, the issues are:

Notes to the Financial Statements

3. New standards and interpretations (continued)

- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

4. Biological assets - Game Animals

	2013			2012		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Biological assets	11 643	-	11 643	94 000	-	94 000

Reconciliation of biological assets - 2013

	Opening balance	Decreases due to harvest / sales	Total
Biological assets - Game Animals	94 000	(82 357)	11 643

Reconciliation of biological assets - game animals - 2012

	Opening balance	Total
Biological assets - Livestock	94 000	94 000

Non - Financial information

Quantities of each biological asset		
Impala	10	10
Giraffe	-	2
Zebra	-	7
	10	**19**

Methods and assumptions used in determining fair value

A game count was performed by the auctioneer during prior and current financial year.

Figures in Rand	2013	2012

5. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	80 617 000	-	80 617 000	147 867 000	-	147 867 000

Reconciliation of investment property - 2013

	Opening balance	Non Cash Disposals	Transfers	Other changes, movements	Fair value adjustments	Total
Investment property	147 867 000	(69 288 000)	(200 000)	(3 192 000)	5 430 000	80 617 000

Reconciliation of investment property - 2012

	Opening balance	Fair value adjustments	Total
Investment property	17 927 400	129 939 600	147 867 000

Additional disclosures - Investment property

Investment property transferred are properties that have been sold since 2002 and has been transferred into the new owners name during 2011/12 and 2012/13. The deeds currently show that these properties are no longer registred in the name of the municipality by various provincial departments and has been transferred out of the investment property register from 2011/12 and 2012/13. Investment property occupied not yet transferred are properties that have been sold since 2002 and have not been transferred into the names of the new owners to date and the deeds show that these properties are still registred in the name of the municipality during 2011/12 and 2012/13. These properties are included in the investment properties register of the municipality untill the registration has been completed into the names of the new owners.

	2013	2012
Investment properties transferred	71 180 000	67 938 000
Investment properties occupied not yet transferred	29 992 000	28 045 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 30 June 2013. Revaluations were performed by an independent valuer, Mr Nel a qualified and registered property valuer, of Messrs Uniqeco. Uniqueco is not connected to the municipality and have recent experience in location and category of the investment property being valued.

Amounts recognised in surplus and deficit for the year.

Investment property located in (a foreign country: specify) is governed by that country’s exchange controls and therefore the rental income and proceeds from any sale of that investment property are not available to the municipality:

Notes to the Financial Statements

Figures in Rand

6. Property Plant and Equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	183 051 381	(10 276 900)	172 774 481	183 051 381	-	183 051 381
Buildings	53 267 147	(14 251 045)	39 016 102	53 096 734	(11 391 590)	41 705 144
Infrastructure	471 856 445	(112 877 231)	358 979 214	365 626 338	(84 367 593)	281 258 745
Community	54 997 355	(10 639 102)	44 358 253	54 516 757	(8 357 910)	46 158 847
Other property, plant and equipment	134 570 472	(92 755 301)	41 815 171	134 809 586	(81 053 831)	53 755 755
Capital Work In Progress	18 190 465	-	18 190 465	59 324 497	-	59 324 497
Leased Assets	392 490	-	392 490	-	-	-
Total	**916 325 755**	**(240 799 579)**	**675 526 176**	**850 425 293**	**(185 170 924)**	**665 254 369**

Reconciliation of property plant and equipment - 2013

	Opening balance	Additions	Landfill nett asset transferred 2013	Disposals Cost	Transfers	Disposals Accumulated Depreciation	Depreciation	Impairment loss	Total
Land	183 051 381	-	-	-	-	-	-	(10 276 900)	172 774 481
Buildings	41 705 144	170 413	-	-	-	-	(2 859 455)	-	39 016 102
Infrastructure	281 258 745	30 385 381	4 019 335	-	59 324 496	-	(16 008 743)	-	358 979 214
Community	46 158 847	480 598	-	-	-	-	(2 281 192)	-	44 358 253
Other property, plant and equipment	53 755 755	1 410 457	-	(1 649 572)	-	1 124 517	(12 825 986)	-	41 815 171
Capital Work in Progress	59 324 497	18 190 464	-	-	(59 324 496)	-	-	-	18 190 465
Leased Asset	-	392 490	-	-	-	-	-	-	392 490
	665 254 369	**51 029 803**	**4 019 335**	**(1 649 572)**	**-**	**1 124 517**	**(33 975 376)**	**(10 276 900)**	**675 526 176**

Reconciliation of property plant and equipment - 2012

Notes to the Financial Statements

Figures in Rand

6. Property Plant and Equipment (continued)

	Opening balance	Additions	Disposals	Transfers	Depreciation Adjustments	Depreciation	Total
Land	183 051 381	-	-	-	-	-	183 051 381
Buildings	42 875 425	1 666 120	-	-	-	(2 836 401)	41 705 144
Infrastructure	244 146 461	26 365 139	-	24 256 496	-	(13 509 351)	281 258 745
Community	45 102 816	2 993 142	-	-	-	(1 937 111)	46 158 847
Other property, plant and equipment	48 742 346	15 494 681	(2 979 279)	3 043 366	2 654 680	(13 200 039)	53 755 755
Capital Work In Progress	56 716 015	59 324 496	-	(56 716 014)	-	-	59 324 497
	620 634 444	**105 843 578**	**(2 979 279)**	**(29 416 152)**	**2 654 680**	**(31 482 902)**	**665 254 369**

Imapairment of assets

The effective date of the imapirment testing was 30 June 2013. Impairment test was performed by the municipal valuers messers UNIQUECO Pty Ltd abd are not connected to the municipality.

Land and buildings were verified for impairment during the year by a professional engineer

These assumptions were based on current market conditions.

The impariment was applied to the following properties:

Land - game farm	10 276 900	-

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

7. Heritage Assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Heritage Assets	322 263	-	322 263	298 263	-	298 263

Reconciliation of heritage assets - 2013

	Opening balance	Valuation costs	Total
Heritage Assets	298 263	24 000	322 263

Reconciliation of heritage assets - 2012

	Opening balance	Total
Heritage Assets	298 263	298 263

8. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Intangible assets under development	22 674 253	-	22 674 253	22 674 253	-	22 674 253

Reconciliation of intangible assets - 2013

	Opening balance	Total
Intangible assets	22 674 253	22 674 253

Reconciliation of intangible assets - 2012

	Opening balance	Prior Year Error - VAT Portion	Prior year error - Deposit Correction	Total
Intangible assets	29 416 153	(3 484 300)	(3 257 600)	22 674 253

Transitional provisions

Intangible assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain intangible assets with a carrying value of R 103 621 (2012: R -) was recognised at provisional amounts. Carrying amounts of intangible assets carried at provisional amounts are as follows:

Due to initial adoption of GRAP 102

Steps taken to establish the values of intangible assets recognised at provisional amounts due to the initial adoption of GRAP 102, is as follows:

The municiplaity will use the services of an accredible service provider which will assist in determining the valuation of the Website.

Notes to the Financial Statements

Figures in Rand	2013	2012

8. Intangible assets (continued)

The date at which full compliance with GRAP 102 is expected, is 30 June 2012.

9. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the Post Employment Medical Health Care obligation	(24 001 186)	(20 989 322)
Net actuarial gains or losses not recognised	1 388 746	(1 008 266)
Current Service Cost	(1 243 328)	(984 097)
Interest Charge	(1 855 803)	(1 783 025)
Benefits Paid Out Against the fund	794 338	763 524
Net liability	**(24 917 233)**	**(24 001 186)**
Non-current liabilities	(24 003 769)	(24 001 186)
Current liabilities	(913 464)	-
	(24 917 233)	**(24 001 186)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	24 001 186	20 989 322
Net expense recognised in the statement of financial performance	916 046	3 011 864
Closing balance	**24 917 232**	**24 001 186**

Net expense recognised in the statement of financial performance

Current service cost	1 243 328	984 097
Interest cost	1 855 803	1 783 025
Actuarial (gains) losses	(1 388 746)	1 008 266
Paid out to current members	(794 339)	(763 524)
Total Employee Benefits Costs Paid	**916 046**	**3 011 864**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(1 388 746)	1 008 266

Key assumptions used

Assumptions used at the reporting date:

Discount rates used: Long service awards	7.44 %	7.10 %
General Salary Inflation (long-term)	6.82 %	5.90 %
Net effective discount rate - Long service awards	0.58 %	1.13 %
Discount rate used: Post emplyment benefits	8.63 %	7.86 %
Health care cost inflation rate	7.63 %	6.85 %
Net effective discount rate - Post employment benefits	0.93 %	0.95 %

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

10. Deposit (Security held in advance)

A security deposit is held by Escom who is the bulk electricity supplier of the municipality. The Municipality occationally pays additional deposits as required by the supplier. The deposit attracts interest at rates determined by the supplier on an annual basis. The annual interest is accounted for in the additional deposit amounts held and the relevant interest earned amount on the statement of financial performance.

11. Longterm lease Debtor

Rental lease - longterm	185 080		

12. Inventories

	2013	2012
Consumable stores	1 909 188	1 867 647

13. Receivables from exchange transactions

	2013	2012
Sundry Debtors	1 218 204	977 696
Sekhukhune Debtor	15 354 344	15 651 666
Write off Debtor: to be authorised by council	24 151	113 664
Recoverable Debt	682 969	811 379
	17 279 668	**17 554 405**

The Sekhukhune debtor is due to a service level agreement between the District Municipality (water services authority) and the local municipality (water services provider).

14. VAT receivable

	2013	2012
VAT receivable	10 154 624	7 878 000

The amount reflecting on the above mentioned balances consists of the VAT input and VAT control accounts.

15. Consumer debtors

	2013	2012
Gross balances		
Rates - Non Exchange Transaction	14 690 421	8 915 259
Electricity - Exchange Transaction	8 342 167	11 532 877
Refuse - Exchange Transaction	1 536 635	1 346 569
Other - (Interest and other major items) - Non Exchange Transaction	10 806 118	8 010 192
	35 375 341	**29 804 897**
Less: Provision for debt impairment		
Rates - Non Exchange Transaction	(9 269 174)	(5 213 502)
Electricity - Exchange Transaction	(2 589 101)	(5 955 921)
Refuse - Exchange Transaction	(955 033)	(809 447)
Other - (Interest and other major items) - Non Exchange Transaction	(7 847 985)	(5 085 324)
	(20 661 293)	**(17 064 194)**
Net balance		
Rates - Non Exchange Transactions	5 421 247	3 701 757
Electricity - Exchange Transactions	5 753 066	5 576 956
Refuse - Exchange Transactions	581 602	537 122
Other - (Interest and other major items) - Non Exchange Transactions	2 958 133	2 924 868
Total net consumer debtors balance	**14 714 048**	**12 740 703**

Notes to the Financial Statements

Figures in Rand	2013	2012

15. Consumer debtors (continued)

Rates - Consisting of Non Exchange Transactions		
Current (0 -30 days)	1 489 141	958 876
31 - 60 days	1 027 043	547 100
61 - 90 days	734 550	327 705
91 - 120 days	641 594	288 990
121 - 365 days	4 777 969	2 009 910
> 365 days	6 020 124	4 782 678
	14 690 421	**8 915 259**

Electricity - Consisting of Exchange Transactions		
Current (0 -30 days)	3 821 963	3 700 938
31 - 60 days	2 152 385	1 804 392
61 - 90 days	573 074	760 180
91 - 120 days	176 853	751 877
121 - 365 days	357 825	3 477 060
> 365 days	1 260 067	1 038 430
	8 342 167	**11 532 877**

Refuse - Consisting of Exchange Transactions		
Current (0 -30 days)	205 615	201 253
31 - 60 days	113 594	94 420
61 - 90 days	50 942	42 362
91 - 120 days	29 267	31 008
121 - 365 days	164 933	183 259
> 365 days	972 284	794 267
	1 536 635	**1 346 569**

Other - Consisting of Non Exchange Transactions		
Current (0 -30 days)	1 283 570	1 230 607
31 - 60 days	1 124 910	678 100
61 - 90 days	570 467	419 797
91 - 120 days	365 229	372 253
121 - 365 days	1 902 811	1 753 823
> 365 days	5 559 131	3 555 612
	10 806 118	**8 010 192**

Reconciliation of debt impairment provision		
Balance at beginning of the year	(17 064 194)	(10 291 087)
Contributions to provision - Statement of financial Performance.	(3 597 099)	(6 783 000)
Debt impairment written off against provision	-	9 893
	(20 661 293)	**(17 064 194)**

Consumer debtors impaired

As of 30 June 2013, consumer debtors of R35 375 342 (2012: R29 804 897) were impaired and provided for.

The amount of the provision was - R20 661 293 on 30 June 2013 (2012: - R17 064 199).The basis of the calculation of debt impairement is based on the risk assesment required in terms of GRAP 19.

Notes to the Financial Statements

Figures in Rand	2013	2012

16. Cash and cash equivalents

Cash and cash equivalents consist of:

	2013	2012
Cash on hand	280	807
Bank balances	15 334 008	7 474 985
	15 334 288	**7 475 792**

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
ABSA BANK - Cheque Account (Acc no 900000049	2 036 698	6 542 692	935 144	323 318
ABSA BANK - Cheque (PHP) (Acc no 4058848103)	319 784	317 253	319 784	317 253
Absa Bank Limited Call Account (Acc no 4068316809)	3 444 158	452 994	3 471 967	452 994
Nedbank Limited: 90 Day Notice Deposit (Acc No 03/7881068264/000009)	10 084 863	-	10 084 863	-
Sanlam Investment Management Corporate Money Market Fund (Acc No: GGMKON)	309 041	300 311	309 041	300 311
Stanlib (Standard Bank Corporate Money Market)	213 209	6 081 109	213 209	6 081 109
Total	**16 407 753**	**13 694 359**	**15 334 008**	**7 474 985**

17. Other financial liabilities

The Municipality leased motor vehicles and a telephone system to be used in its day to day operations. The amounts indicated is amounts payable in the 12 month period following the financial statement date. These liabilities were fully settled in the 2012 financial period. The fair values of the financial liabilities were determined by straight lining the lease payments over the lease periods where required. And discounting the lease payments over the effective lease period based on the inherent interest rates per applicable lease.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2013	2012
Unspent conditional grants and receipts		
Land Affairs Grant	466 250	466 250
DPLG/PHP Housing Grant	319 785	317 253
	786 035	**783 503**

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Financial Statements

Figures in Rand	2013	2012

19. Provision

Reconciliation of long service leave provision - 2013

	Opening Balance	Current Service Cost	Benefit Vestings	Interest Cost	Actuarial Loss / (Gain)	Total
Provision for leave	1 590 456	198 391	(33 990)	111 688	282 773	2 149 318

Reconciliation of ong service leave provision - 2012

	Opening Balance	Current Service Cost	Benefit Vestings	Interest Cost	Actuarial Loss / (Gain)	Total
Provision for leave	1 345 952	197 526	(124 695)	105 736	65 937	1 590 456

	2013	2012
Non-current liabilities	1 919 210	1 590 456
Current liabilities	230 108	-
	2 149 318	**1 590 456**

20. Payables from exchange transactions

	2013	2012
Trade payables	10 492 696	24 872 706
Accrued leave pay	5 827 350	4 691 801
Accrued bonus	1 892 432	1 537 673
Retention fees	10 162 525	10 039 921
	28 375 003	**41 142 101**

21. VAT payable

22. Consumer deposits

	2013	2012
Deposits held	3 285 199	3 205 959

Notes to the Financial Statements

Figures in Rand	2013	2012

23. Revenue

Service charges	54 468 633	50 459 587
Rental of facilities & equipment	770 610	811 248
Income from agency services	3 187 088	3 190 671
Licences and permits	5 248 726	5 370 418
Other revenue	3 552 209	2 870 632
Interest received - investment	5 089 585	5 156 279
	72 316 851	**67 858 835**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	54 468 633	50 459 587
Rental of facilities & equipment	770 610	811 248
Interest received – trading	5 089 585	5 156 279
Income from agency services	3 187 088	3 190 671
Licences and permits	5 248 726	5 370 418
Other revenue	3 552 209	2 870 632
	72 316 851	**67 858 835**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	17 900 069	11 033 275
	-	-
Fines and Enforcement Revenue		
Fines	791 600	1 031 214
Transfer revenue		
MIG Grant	35 223 000	29 037 000
Equitable share and other grants	132 856 000	117 269 000
	186 770 669	**158 370 489**

24. Property rates

Rates received

Property Rates Levied	31 979 980	16 858 060
Less: Income forgone	(14 079 911)	(5 824 785)
	17 900 069	**11 033 275**

Valuations

Residential	2 820 662 000	1 006 612 505
Commercial	900 061 900	1 232 108 644
State	285 037 770	122 224 000
Municipal	25 428 100	139 606 500
Small holdings and farms	3 401 873 650	-
Social	41 589 000	-
	7 474 652 420	**2 500 551 649**

Notes to the Financial Statements

Figures in Rand	2013	2012

25. Service charges

Sale of Electricity	51 890 277	47 936 342
Refuse Removal	2 578 356	2 523 245
	54 468 633	**50 459 587**

26. Government grants and subsidies

Equitable Share	129 556 000	114 134 000
Municipal Infrastructure Grant (MIG)	35 223 000	29 037 000
Financial Management Grant (FMG)	1 500 000	1 250 000
Municipal System Improvement Grant (MSIG)	800 000	790 000
EPWP Grant	1 000 000	1 095 000
	168 079 000	**146 306 000**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Current-year receipts	35 223 000	29 037 000
Conditions met - transferred to revenue	(35 223 000)	(29 037 000)
	-	-

Municipal Finance Management Grant

Current-year receipts	1 500 000	1 250 000
Conditions met - transferred to revenue	(1 500 000)	(1 250 000)
	-	-

All conditions to the FMG Grant were met during the year.

Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	(13 777)
Current year receipts	800 000	790 000
Conditions met - transferred to revenue	(800 000)	(790 000)
Transferred to expenditure	-	13 777
	-	-

Conditions still to be met - remain liabilities (see note 18)

Notes to the Financial Statements

Figures in Rand	2013	2012

26. Government grants and subsidies (continued)

Land Affairs

Balance unspent at beginning of year	466 250	466 250

Sekhukhune District

Balance unspent at beginning of year	-	(96 777)
Transferred to expenditure	-	96 777
	-	-

EPWP Grant

Balance unspent at beginning of year	-	330 000
Current-year receipts	1 000 000	765 000
Conditions met - transferred to revenue	(1 000 000)	(1 095 000)
	-	-

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

27. Other revenue

Other income	3 552 209	2 870 632

Notes to the Financial Statements

Figures in Rand	2013	2012

28. General expenses

Auditing - Internal audit fee	173 947	-
Advertising	318 284	189 611
Auditors remuneration	2 009 282	1 992 977
Bank charges	284 774	189 928
Community services	1 238 361	2 065 459
Conferences and seminars	1 055 305	1 390 286
Consulting and professional fees	6 423 005	5 679 039
Consumables	1 326 318	2 317 713
Bursaries	121 590	146 320
Electricity	2 448 903	-
Entertainment	106 979	384 679
Fleet	-	11 294
Fuel and oil	910 422	-
IT expenses	2 490 498	391 863
Insurance	972 646	1 044 690
Lease rentals on operating lease	2 667 517	335 045
Magazines, books and periodicals	13 876	5 987
Marketing	7 225	-
Motor vehicle expenses	886 504	1 100 659
Pest control	-	11 192
Postage and courier	64 227	95 419
Printing and stationery	1 021 781	1 689 220
Promotions	-	20 350
Protective clothing	131 317	169 429
Refuse	2 459 947	2 237 704
Security (Guarding of municipal property)	4 828 891	4 673 742
Waste disposal - additional interest landfill rehabilitation provision	543 026	-
Staff welfare	799 665	784 285
Stock adjustment	37 196	121 093
Subscriptions and membership fees	977 854	656 460
Telephone and fax	2 860 442	4 656 406
Town planning	679 118	3 093 613
Training	479 805	387 768
Transport and freight	-	36 732
Travel - local	398 242	441 182
Uniforms	49 855	14 570
	38 786 802	**36 334 715**

29. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

Operating lease charges		
Motor vehicles		
• Contractual amounts	58 179	-
Equipment		
• Contractual amounts	2 609 338	335 045
	2 667 517	**335 045**

(Loss) gain on sale of property plant and equipment	(598 341)	2 738 965
Impairment on property, plant and equipment	10 276 900	-
Gain on sale of non-current assets held for sale and net assets of disposal groups	69 288 000	-
Depreciation on property, plant and equipment	33 975 376	32 123 821
Employee costs	88 317 044	74 925 559

Notes to the Financial Statements

Figures in Rand	2013	2012

30. Employee related costs

Basic	44 168 012	37 466 662
Bonus	371 154	338 474
Medical aid - company contributions	2 506 795	2 033 219
UIF	362 276	298 136
SDL	536 537	540 005
Leave pay provision charge	5 653 249	3 642 839
Post-employment benefits - Pension - Defined contribution plan	8 305 573	7 002 422
Travel, motor car, accommodation, subsistence and other allowances	65 761	-
Overtime payments	603 164	1 144 834
Post Employment Medical Aid Benefits	2 304 793	2 003 598
Acting allowances	667 832	823 360
Transport allowance	3 179 901	2 193 763
Housing benefits and allowances	43 580	39 623
Long Service Leave Interest Charge	365 532	197 526
Funeral Plan Contributions Pensioner	-	322
	69 134 159	**57 724 783**

Not Included in the above balances is remuneration for the following municipal employees:

Remuneration of Municipal Manager (Ms. MM Mtsweni)

Annual Remuneration	719 202	111 228
Car Allowance	190 000	31 666
Contributions to Pension Funds	53 536	4 418
Travelling and Subsistance	-	11 715
Contribution to UIFand SDL	9 890	1 572
Acting Allowance	-	297 742
	972 628	**458 341**

Remuneration of Chief Finance Officer (Mr. MS Monageng)

Annual Remuneration	262 500	-
Car Allowance	112 500	-
Contribution to UIFand SDL	4 298	-
	379 298	**-**

Remuneration of Acting Chief Financial Officer (Mr. R Palmer)

Acting allowance	141 152	39 772

Director Corporate services

Annual Remuneration	154 748	587 599
Car Allowance	42 500	90 365
Contributions to Medical and Pension Funds	-	41 128
Travelling and Subsistance	-	16 561
Contribution to UIFand SDL	2 304	-
Acting Allowance	106 307	7 685
	305 859	**743 338**

Director Community services (Mr. Tshesane)

Annual Remuneration	594 491	430 460
Car Allowance	148 803	122 400
Contributions to Pension Funds	89 174	64 402

Notes to the Financial Statements

Figures in Rand	2013	2012

30. Employee related costs (continued)

Travelling and Subsistance	1 456	15 942
Contribution to Medical Aid	17 532	17 508
Contribution to UIFand SDL	8 649	6 484
	860 105	**657 196**

Director Planning, transport and environmental affairs (Ms. RF Komape)

Annual Remuneration	506 733	290 674
Car Allowance	168 913	42 000
Acting Alloance	-	73 200
Contribution to UIFand SDL	7 941	4 966
	683 587	**410 840**

Director Strategic Development (Mr. MM Kgwale)

Annual Remuneration	700 151	99 950
Car Allowance	108 000	18 000
Contributions to Pension Funds	34 378	9 495
Acting Allowance	-	89 382
Contribution to UIFand SDL	9 155	-
Travelling and Subsistance	2 190	-
	853 874	**216 827**

Director Development Planning (Acting: Mr. BO Sethojoa)

Acting Allowance	285 266	70 833

31. Remuneration of councillors

Mayor	648 249	617 015
Speaker	518 463	493 772
Executive Committee Councillors	1 581 234	1 486 318
Ordinary Councillors	11 467 153	9 387 504
Chief Whip	486 017	185 753
	14 701 116	**12 170 362**

In-kind benefits

The Mayor, Speaker, Chief Whip and three permanent Exco councillors are full-time.The three are provided with an office and secretarial support at the cost of the Council

It is certified in the accounting officer's report that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 30 of these annual financial statements are within the upper limits ofthe framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Remuneration of Mayor

Public Office Remuneration	404 064	383 774
Car Allowance	156 479	149 332
Contributions to Medical and Pension Funds	82 798	80 279
Re - imbursive Allowance	4 908	3 642
	648 249	**617 026**

Notes to the Financial Statements

Figures in Rand	2013	2012

31. Remuneration of councillors (continued)

Remuneration of Speaker

Public Office Remuneration	320 246	304 016
Car Allowance	125 184	119 465
Contributions to Medical and Pension Funds	69 107	67 377
Re - imbursive Allowance	3 926	2 914
	518 463	**493 772**

Remuneration of Executive Committee

Public Office Remuneration	1 112 936	1 044 953
Car Allowance	381 235	346 696
Contributions to Medical and Pension Funds	75 206	81 835
Re - imbursive Allowance	11 858	12 834
	1 581 235	**1 486 318**

Remuneration of Chief Whip

Public Office Remuneration	299 291	119 650
Car Allowance	117 360	44 802
Contributions to Medical and Pension Funds	65 685	20 206
Re - imbursive Allowance	3 681	1 095
	486 017	**185 753**

Remuneration of Ordinary Councillors

Public Office Remuneration	7 743 483	6 195 137
Car Allowance	2 712 223	2 492 356
Contributions to Medical and Pension Funds	866 540	637 916
Re - imbursive Allowance	144 907	62 095
	11 467 153	**9 387 504**

32. Administrative expenditure

Administration and management fees - third party	540 706	1 032 617

33. Debt impairment

Contributions to debt impairment provision	3 597 099	6 783 000

34. Investment revenue

Interest revenue		
Bank and investments	906 052	2 344 407
Interest charged on trade and other receivables	3 733 164	2 580 468
Interest received - other	450 369	231 404
	5 089 585	**5 156 279**

35. Depreciation

Property Plant and Equipment	33 975 376	32 123 821

Notes to the Financial Statements

Figures in Rand	2013	2012

36. Gains or losses on sale of biological and other assets

Gain(loss) on sale of biological and other asset	(598 341)	2 738 965

37. Finance costs

Trade and other payables	111 688	286 676
Bank and long term loans	1 405	-
	113 093	**286 676**

38. Auditors' remuneration

Fees	2 009 282	1 992 977

39. Operating lease

Describe the lessee’s significant leasing arrangements which include:
- basis on which contingent rent payable is determined.
- the existence and terms of renewal or purchases options and escalation clauses; and
- restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends, additional debt and further leasing.

40. Grants and subsidies paid

Other subsidies		
Indigent grants	763 822	786 852
PHP Expenditure	-	803
FMG Grant Expenditure	1 844 771	1 763 990
	2 608 593	**2 551 645**

41. Bulk purchases

Electricity	46 120 194	40 739 042

Figures in Rand	2013	2012

42. Cash generated from operations

(Deficit) surplus	(64 211 406)	154 242 700
Adjustments for:		
Depreciation and amortisation	33 975 376	32 123 821
Gain (loss) on sale of assets and liabilities	598 341	(2 738 965)
Gain on sale of non-current assets and disposal groups	69 288 000	-
Landfill site - Groblersdal & Roosenekal (Provision)	26 783 202	-
Income from equity accounted investments	(2 238 000)	(129 939 600)
Fair value adjustments	(1 105 973)	949 508
Impairment deficit	10 276 900	-
Debt impairment	3 597 099	6 783 000
Movements in operating lease assets and accruals	31 145 563	-
Movements in retirement benefit assets and liabilities	916 047	3 011 864
Movements in provisions	558 862	244 504
Non-cash items - Debtors Correction	(468 546)	9 894
Non-cash items - Creditor sale of stands not completed	-	(842 407)
Non-cash items - Change in accounting policy, GRAP implementations and prior year error	(31 753 829)	298 049
Changes in working capital:		
Inventories	(41 541)	(133 734)
Receivables from exchange transactions	274 737	3 616 405
Consumer debtors	(5 560 550)	(11 357 015)
Payables from exchange transactions	(12 767 098)	20 696 247
VAT	(1 125 333)	581 211
Unspent conditional grants and receipts	2 532	(214 707)
Consumer deposits	79 240	174 535
	58 223 623	**77 505 310**

43. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	124 759	10 078 000

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc. The remaining work in progress projects for the period ended 30 June 2012 will also need to be funded from own revenue due to MIG grant 2012/13 already being committed and registered at National Treasury on new projects identified during the budget process 2012/13.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	827 909	875 861
- in second to fifth year inclusive	1 051 236	1 879 144
	1 879 145	**2 755 005**

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases/rentals are negotiated for a three year term. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	1 280 720	1 101 033
- in second to fifth year inclusive	2 097 979	3 378 699
	3 378 699	**4 479 732**

Figures in Rand	2013	2012

44. Contingent Liabilities

Pending cases

Pending litigation	3 454 435	832 905

Contingent assets

The following contingent assets are as a result of either council and/or MPAC resolutions that required steps to be taken to recover money owed.

- Severange packages former municipal manager and chief financial officer: R4 834 250.56

- IT expense Blue Mun Utility : R 694 275

- Rental income receivable of R209 942 (2012 - R280 772)

45. Related parties

Relationships

Councillors - Councillor remuneration - Refer to note 31	14 701 116	12 170 374
Post employment benefit plan for employees and/or other related parties - Refer to Note 8 - Municipal Gratuity Fund	24 917 233	24 001 186
Municipal Manager (Section 55) and Other Directors (Section 57) Remuneration - Refer to note 30	4 484 771	2 957 450

46. Prior period errors

The following prior year error was identified and adjusted retrospectively:

CORRECTED IN 2011/2012 FINANCIAL PERIOD

1. GRAP 21 - Revaluation of Investment properties - An adjustment was processed in the current year for the revaluation on investment properties of 2013 - 80 817 000 (2012 - R 129 939 600) based on the valuation performed in November 2011. This adjustment was made through the income statement as an equity adjustment in 2012 due to the implementation of the valuation roll and revaluation during the period. The valuation was not presented in the prior year annual financial statements. (Ref - AR: P13 2011/12)

2. The intangible asset was overstated with an amount of R 3 257 600 that was paid as part of a security deposit that is held by Escom who is the bulk electricity supplier of the municipality. This was incorrectly accounted for as part of the intangible asset. Deposits held in advance was increased with 2012 R 3 257 600 and the intangible asset decreased with 2012 R 3 257 600. (The Municipality occationally pays additional deposits as required by the supplier. The deposit attracts interest at rates determined by the supplier on an annual basis. The annual interest is accounted for in the additional deposit amounts held and the relevant interest earned amount on the statement of financial performance). (Ref - AR: P6&7 2011/12)

3. The intangible asset was overstated with an amount of R 3 484 300 that was paid as part of a VAT deposit on the project that was held by Escom who is the bulk electricity supplier of the municipality. This was incorrectly accounted for as part of the intangible asset. VAT receivable was increased with 2012 R 3 484 300 and the intangible asset decreased with 2012 - R 3 484 300. (Ref - AR: P6&7 2011/12)

4. VAT accounts payable and receivable were set off in the 2012 financial year. In order to present the amounts correctly for finacial instrument disclosure the VAT was split up. This increased VAT Receivable for 2012 - R 5 285 731 and increased VAT Payable for 2012 R 5 285 731.

46. Prior period errors (continued)

5. Employee related cost increased with an amount of R 146 782 due to acting allowances paid in 2011/12 not in line with the section 57 managers remunration packages.

6. Operating expenditure in 2012 financial year increased with R 171 098 because of invoices received in 2012/13 for services and goods delivered in 2011/12.

7. Prior year error on unspent grant DPLG due to outstanding invoice from supplier to an amount of R 110 126 only received in 2012/13.

8. Stands disposed of and registered in 2008/09 in new ownership were incorrectly billed and the amount transfered to a suspence account for R 12 457 has been corrected to the accumulated surplus vote.

9. VAT payable based on 20% council income from Department Roads & Transport in respect of licences

10. Councillors UIF write back 2011/12 to an amount of R70 966

11. Motor vehicle loan - sundry debtor correction 2009/10 over expense - Council resolution 26 June 2013 to an amount of R3 689.

12. Expenditure not in cashbook 2009/10 & 2010/11 finanial period (supporting documentation not available) - Council resolution 26 June 2013 R146 413.

13 Interest on Eskom deposit 2011/12 to an amount of R231 403..

14. Suspense Medical contribution not expensed to medical aid in 2011/12 R7 100.

15. Heritage assets was revalued in respect of GRAP 103 requirements.

16. Irregular expenditure 2011/12 in respect of contracted security cost recoverable to the amount of R811 379

17. Security on Eskom held in advance for Groblersdal town - R4 444 414.

18. Accumulated Impairment loss on Land to the amount of R22 169 800.

These specific correction of the errors results in adjustments in the periods as indicated below:

(The correction number is indicated in brackets next to the item adjusted.)

	2013	2012
Statement of financial position		
Accumulated Surplus (1)	(63 723 844)	(112 492 295)
Property Plant and Equipment (15) (18)	(21 871 537)	(21 871 537)
Trade and other receivables (10) (16)	882 345	882 345
Trade and other payables (5) (6)	(317 838)	(317 838)
Intangible asset (2) (3)	-	(6 741 900)
Deposit (Security) held in advance (2) (13) (17)	4 675 817	7 933 418
Investment property: Revaluation (1)	80 817 000	129 939 600
VAT Payable (4) (9)	(434 660)	(5 285 731)
Clearing of suspence through council resolution (8)	(137 409)	(137 409)
VAT Receivable (3) (4)	-	8 770 031
Unspent Grant - DPLG (PHP) (7)	110 126	110 126
	-	**788 810**

	2013	2012
-Statement of Financial Performance		
Interest on security (deposit) held in advance (13)	-	(231 403)
Employee related costs (5) (10) (14)	-	82 916
General expenses (6) (16)	-	(640 323)
	-	**(788 810)**

46. Prior period errors (continued)

47. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes , 17, cash and cash equivalents disclosed in note 16, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the municipality may adjust the amount of dividends paid to member, return capital to member, issue new shares or sell assets to reduce debt.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. The municpality is able to cover the current and future commitments from availabe funds at a ratio of 25 times from the accumuated investment balances.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. All items of financial libilities are less than one year from settlement.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Figures in Rand	2013	2012

47. Risk management (continued)

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2013	2012
Vehicles - Fleet africa - operational lease	1 156 000	-

48. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.Council has resolved that all unauthirised, fruitless and wasteful, irregular expenditurefor the financial years 2010/11 and 2011/12 be fully investigated.

49. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:
- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

50. Unauthorised expenditure

Unauthorised operating expenditure	-	44 130 287
Vote 3 - Budget & Treasury	37 568 680	-
Vote 4 - Corporate services	2 536 214	-
Unauthorised capital expenditure	-	6 032 396
Vote 2 - Municipal Manager	182 977	-
Vote 3 - Budget & Treasury	111 251	-
Vote 4 - Corporate Services	26 253	-
Vote 5 - Community Services	657 925	-
Vote 7 - Strategic, Planning & Development	50 580	-
	41 133 880	**50 162 683**

Unauthorised operating expenditure is the following non-cash backed expenditure which includes the following, debt impairment R102 901 (2013), depreciation and asset impairment R26 975 376 (2013) and impairment loss R10 276 900.

51. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - 2010 Interest paid on late payments	8 448	8 448
Fruitless and wastefull expenditure - 2011 Severance Packages	6 225 987	6 225 987
Fruitless and wasteful expenditure - 2011 Interest paid on late payments	23 444	23 444
Fruitless and wasteful expenditure - 2012 Interest paid on late payments	49 502	49 502
Fruitless and wasteful expenditure - 2013 Interest paid on late payments	75 595	-
Fruitless and wasteful expenditure - 2011 IT equipment unsuitable and not completed	2 611 545	2 611 545
	8 994 521	**8 918 926**

Figures in Rand	2013	2012

51. Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure relates to penalties and interest on the late payment of suppliers R75 595 (2013) , R49 502 (2012), R23 444 (2011) and R8 448 (2010).

The contracts for the Municipal Manager and Chief Financial Officer were terminated during the Financial Year 2011. Severance packages amounting to R6 225 987 had had been paid out. Based on MPAC's resolution that this amount must be recovered from council - 26 October 2012,

Analysis of expenditure awaiting condonation per age classification

	2013	2012
Current year	75 595	49 502
Prior years	8 918 926	8 869 424
	8 994 521	**8 918 926**

Notes to the Financial Statements

Figures in Rand	2013	2012

51. Fruitless and wasteful expenditure (continued)

Details of fruitless and wastefull expenditure – current year

	-

52. Irregular expenditure

	2013	2012
Opening balance	5 541 649	3 245 706
Add: Irregular Expenditure - current year	530 522	2 295 943
	6 072 171	**5 541 649**

Analysis of expenditure awaiting condonation per age classification

	2013	2012
Current year	530 522	2 281 720
Prior years	4 730 270	3 245 706
	5 260 792	**5 527 426**

Details of irregular expenditure

	Disciplinary steps taken	
2012 Payment on Security Services	Expenditure recoverable	811 376
2012 Excess payment on Internal Audit	Under investigation	893 149
2012 Excess payment on Electronic filling system	Under investigation	591 415
2013 Payment on Repairs and Maintenance	Under investigation	356 575
2013 Excess payment on Internal Audit	Under Investigation	173 947
		2 826 462

53. Additional disclosure in terms of Municipal Finance Management Act

Electricity distribution losses

	2013	2012
Losses incurred - Units	2 689 090	1 457 959
Percentage losses incurred	15.26%	15.35%

SALGA Fees

	2013	2012
Current year subscription / fee	693 505	548 611
Amount paid - current year	(693 505)	(548 611)
	-	-

PAYE and UIF

	2013	2012
Current year subscription / fee	10 454 737	8 431 277
Amount paid - current year	(10 454 737)	(8 431 277)
	-	-

Pension and Medical Aid Deductions

	2013	2012
Current year subscription / fee	17 105 596	14 481 898
Amount paid - current year	(17 105 596)	(14 481 898)
	-	-

53. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Skosana JJ	4 483	2 197	6 680
Cllr Matlala MS	727	1 563	2 290
Cllr Mahlangu AB	106	487	593
	5 316	**4 247**	**9 563**

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Madihlaba MM	1 632	24 947	26 579
Cllr Kabinie RSA	418	8 232	8 650
Cllr Skosana JJ	906	-	906
Cllr Matsomane ST	1 207	1 239	2 446
Cllr Matlala MS	77	2 800	2 877
Cllr Mahlangu J	1	20	21
Cllr Mahlangu TS	5	139	144
Cllr Malatji MN	1	20	21
Cllr Mokone MP	270	124	394
	4 517	**37 521**	**42 038**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. Deviation found were as follows.

Incident		
The only service provider (31)	408 603	-
Emergency repairs (4)	31 924	-
Vehicles stripped and to be repaired (13)	93 984	-
Venue - nearesr and only (14)	435 106	-
Specialist services (8)	351 162	-
	1 320 779	**-**

54. Utilisation of Long-term liabilities reconciliation

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

55. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Notes to the Financial Statements

Figures in Rand

56. Statement of comparative and actual information

2013

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance										
Property rates	17 935 993	-	17 935 993	-	17 935 993	17 900 068		(35 925)	100 %	100 %
Service charges	82 986 560	2 500 000	85 486 560	-	85 486 560	98 050 001		12 563 441	115 %	118 %
Investment revenue	8 658 000	(2 500 000)	6 158 000	-	6 158 000	5 089 585		(1 068 415)	83 %	59 %
Transfers recognised - operational	132 856 000	-	132 856 000	-	132 856 000	132 856 000		-	100 %	100 %
Other own revenue	785 081	-	785 081	-	785 081	5 191 866		4 406 785	661 %	661 %
Total revenue (excluding capital transfers and contributions)	**243 221 634**	**-**	**243 221 634**	**-**	**243 221 634**	**259 087 520**		**15 865 886**	**107 %**	**107 %**
Employee costs	(77 414 032)	3 158 892	(74 255 140)	-	(74 255 140)	(73 615 928)	-	639 212	99 %	95 %
Remuneration of councillors	(17 049 104)	(782 000)	(17 831 104)	-	(17 831 104)	(14 701 116)	-	3 129 988	82 %	86 %
Debt impairment	(3 700 000)	-	(3 700 000)		(3 700 000)	(3 597 099)	102 901	102 901	97 %	97 %
Depreciation and asset impairment	(7 000 000)	-	(7 000 000)		(7 000 000)	(33 975 376)	26 975 376	(26 975 376)	485 %	485 %
Finance charges	-	-	-	-	-	(113 093)	-	(113 093)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(54 390 399)	350 000	(54 040 399)	-	(54 040 399)	(46 120 194)	-	7 920 205	85 %	85 %
Transfers and grants	(2 470 000)	-	(2 470 000)	-	(2 470 000)	(2 608 593)	-	(138 593)	106 %	106 %
Other expenditure	(58 969 541)	(2 750 000)	(61 719 541)	-	(61 719 541)	(55 840 298)	-	5 879 243	90 %	95 %
Total expenditure	**(220 993 076)**	**(23 108)**	**(221 016 184)**	**-**	**(221 016 184)**	**(230 571 697)**	**27 078 277**	**(9 555 513)**	**104 %**	**104 %**
Surplus/(Deficit)	**22 228 558**	**(23 108)**	**22 205 450**	**-**	**22 205 450**	**28 515 823**		**6 310 373**	**128 %**	**128 %**

Notes to the Financial Statements

Figures in Rand

56. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	35 223 000	-	35 223 000	-	35 223 000	35 223 000		-	100 %	100 %
Surplus (Deficit) after capital transfers and contributions	**57 451 558**	**(23 108)**	**57 428 450**	**-**	**57 428 450**	**63 738 823**		**6 310 373**	**111 %**	**111 %**
Surplus/(Deficit) for the year	**57 451 558**	**(23 108)**	**57 428 450**	**-**	**57 428 450**	**63 738 823**		**6 310 373**	**111 %**	**111 %**

Notes to the Financial Statements

Figures in Rand

56. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources										
Total capital expenditure	57 411 800	273	57 412 073	-	57 412 073	51 029 803		(6 382 270)	89 %	89 %
Sources of capital funds										
Transfers recognised - capital	35 223 000	-	35 223 000	-	35 223 000	35 223 000		-	100 %	100 %
Internally generated funds	22 188 800	-	22 188 800	-	22 188 800	15 806 803		(6 381 997)	71 %	71 %
Total sources of capital funds	**57 411 800**	**-**	**57 411 800**	**-**	**57 411 800**	**51 029 803**		**(6 381 997)**	**89 %**	**89 %**
Cash flows										
Net cash from (used) operating	7 040 000	(24 000)	7 016 000		7 016 000	58 223 623		51 207 623	830 %	827 %
Net cash from (used) investing	57 411 800	-	57 411 800		57 411 800	(51 471 100)		(108 882 900)	(90)%	(90)%
Net cash from (used) financing	160 000	-	160 000		160 000	1 105 973		945 973	691 %	691 %
Net increase/(decrease) in cash and cash equivalents	**64 611 800**	**(24 000)**	**64 587 800**		**64 587 800**	**7 858 496**		**(56 729 304)**	**12 %**	**12 %**
Cash and cash equivalents at the beginning of the year	7 475 792	-	7 475 792		7 475 792	7 475 792		-	100 %	100 %
Cash and cash equivalents at year end	**72 087 592**	**(24 000)**	**72 063 592**		**72 063 592**	**15 334 288**		**56 729 304**	**21 %**	**21 %**

Figures in Rand	2013	2012

56. Statement of comparative and actual information (continued)

2012

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Financial Performance				
Property rates				11 033 275
Service charges				50 459 587
Investment revenue				5 156 279
Transfers recognised - operational				146 306 000
Other own revenue				16 013 148
Total revenue (excluding capital transfers and contributions)				**228 968 289**
Employee costs	-	-	-	(60 520 065)
Remuneration of councillors	-	-	-	(14 405 494)
Debt impairment	-	-	-	(6 783 000)
Depreciation and asset impairment	(32 123 821)	-	(32 123 821)	(32 123 821)
Finance charges	-	-	-	(286 676)
Materials and bulk purchases	-	-	-	(40 739 042)
Transfers and grants	-	-	-	(2 551 645)
Other expenditure	(12 006 466)	-	(12 006 466)	(46 305 938)
Total expenditure	**(44 130 287)**	**-**	**(44 130 287)**	**(203 715 681)**
Surplus/(Deficit)				**25 252 608**
Transfers recognised - capital				29 037 000
Surplus (Deficit) after capital transfers and contributions				**54 289 608**
Share of surplus (deficit) of associate				129 939 600
Surplus/(Deficit) for the year				**(75 649 992)**

56. Statement of comparative and actual information (continued)

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Capital expenditure and funds sources				
Total capital expenditure				105 843 578
Sources of capital funds				
Transfers recognised - capital				29 037 000
Internally generated funds				76 806 578
Total sources of capital funds				**105 843 578**
Cash flows				
Net cash from (used) operating				77 505 310
Net cash from (used) investing				(102 169 011)
Net cash from (used) financing				(3 713 831)
Net increase/(decrease) in cash and cash equivalents				**(28 377 532)**
Cash and cash equivalents at the beginning of the year				35 853 324
Cash and cash equivalents at year end				**7 475 792**